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TREASURER FONG ANNOUNCES CALIFORNIA'S FIRST ISSUANCE OF ENTERPRISE ZONE BONDS

SACRAMENTO--Two state financing authorities gave approval Wednesday to the first enterprise zone bond issued in California, and perhaps in the nation.

State Treasurer Matt Fong, chairman of the California Debt Limit Allocation Committee (CDLAC) and the California Debt Financing Advisory Commission (CDFAC), said the financing of \$3 million was awarded to Figi Graphics, Inc. located in the Mt. Hope Enterprise Zone in the City of San Diego.

The \$3 million will finance the construction of an 85,700 square foot building and the purchase of new equipment for a company that designs, manufactures, imports, and distributes giftware and decorative accessories. The project will be developed on land that is now undeveloped and situated across the street from the company's current facility.

Enterprise Zone Bonds (EZB) are tax-exempt bonds issued for businesses located within federally designated enterprise communities or "zones." Six locations in the state have been designated as federal enterprise zones: Imperial County, the City of San Diego, the City of Oakland, the City of Watsonville, South Central Los Angeles and Hunters Point in San Francisco.

Since Figi will use the facility for assembly, distribution and warehousing operations, the project qualified as an enterprise zone bond (EZB), rather than as an industrial development bond (IDB), which requires primarily a manufacturing emphasis.

EZBs have strict limitations and requirements, such as the per project limit of \$3 million. Also, at least 85 percent of the business activity, trades and services must be conducted within the zone, 80 percent of the total gross income of the business must be derived from business activities at the site, 85 percent of the tangible property must be located in the zone and 35 percent of the business's employees must be residents of the enterprise zone. These requirements must

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be satisfied throughout the term of the bonds and businesses must certify to the issuer that the regulations are being met on an annual basis.

EZBs can be used to finance both manufacturing and commercial projects. Eligible capital expenditures include land acquisition, equipment purchases, construction and rehabilitation of buildings.

The federal statute authorizing enterprise zone bonds was enacted in 1993. The proposed regulations were issued in December 1994, with final regulations issued in May, 1996.

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